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ABSTRACT

Over the next 10-15 years, the work force will change significantly in composition. The numbers of minority youth, high school dropouts, and teenage mothers--less well-educated segments of the population--will increase. Youth unemployment will rise, although the total number of youth will decline. Women, with their needs for child care and nontraditional employment, will account for the majority of labor force growth. The labor force will also be aging. At the same time, the workplace will change. From 5-15 million manufacturing jobs will be restructured; an equal number of service jobs will become obsolete. Disruptions from change will be great; the need for training and retraining will be significant. Business, public training institutions, school systems, private training institutions, and labor must work in partnership to provide the necessary education and training. The public must see education, training, and retraining as a lifelong process, vital to their working lives. Public/private partnerships are necessary to create jobs in distressed areas. A new employment policy is needed that encompasses traditional public training programs as well as public education systems. New forms of governance should be considered. Public/private institutions at all levels should be strengthened. Business will have to assume greater responsibility in training the work force. (YLB)

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# EMPLOYMENT POLICIES:

# LOOKING TO THE YEAR 2000

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National Alliance of Business
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# PREFACE

Between now and the end of the century, new technology, stiff international competition, changes in consumer tastes, and demographic shifts will cause pervasive mismatches between workplace needs and workforce capabilities. The next 10 to 15 years threaten that growing cohorts of our working age youth and adults will lack the education and skills to obtain even their first entry level job. At the same time, most of those working today will need to enhance, if not acquire, totally new skills to remain employed.

Our society cannot afford large segments of our population to be chronically unemployed with no hope for the future. We cannot tolerate large numbers of these workers to be unemployed or underemployed for long periods of time. We cannot permit worker displacement or dislocation to occur out of failure to anticipate future workforce needs. We cannot ignore the need for public and private institutions to assure a national capability for providing our workforce with new skills.

If the problem is society's in general, it is also a specific problem for business. Inadequately prepared workers are not productive workers; low productivity and low economic growth will seriously jeopardize business' ability to compete in world markets. Furthermore, unemployed or underemployed workers are a poor market for business' goods and services.

The National Alliance of Business is convinced that our nation cannot leave to chance the resolution of the massive societal and economic problems facing us in the next 10 to 15 years. The Alliance is further convinced that the energy and commitment of all sectors of the economy are required to bring about a solution. Each of us must play a part.

We must start to act now. Already, many of the conditions cited in this paper are upon us, and it will take time to develop our best strategies and set the most appropriate policies. Their effects will take years.

We hope this paper enhances the understanding of both business and government to the problems facing us, builds an urgency for their solution, and points a direction for the actions needed.

William H. Kolberg
President

# Employment Policies: Looking to the Year 2000

## EXECUTIVE SUMMARY

Major changes are anticipated in the workplace between now and the year 2000. While economists differ over the impact of these changes, all expect them to be significant. Some, like Pat Choate of TRW, expect our economy and society to undergo an "economic and political shock" due to new technology, stiff international competition, changes in consumer tastes, and demographic shifts. These forces will result in pervasive mismatches between workplace needs and workforce capabilities. To respond to this challenge, it is essential now to understand the key demographic and economic factors of the 1990's and year 2000, to assess their impact, and to develop policies that can best address them. NAB has produced this paper, Employment Policies: Looking to the Year 2000, to provide the framework and strategies for action by both business and government.

### THE DEMOGRAPHIC AND ECONOMIC SETTING

Over the next 10 to 15 years, the workforce will undergo a major change in composition. Most striking will be the growth of less well educated segments of the population that have typically been the least prepared for work. The number of minority youth will increase while the total number of youth of working age will decline. The number of high school dropouts will rise as will the number of teenage mothers. At the same time, entry level jobs will increasingly require basic, analytical, and interpersonal skills.

Will our youth be able to meet these requirements or will they become a part of a growing underclass with no hope for employment?

The labor market will need to accommodate still other changes in the workforce. Women will account for the majority of labor force growth. They will bring with them not only special needs for child care but continued pressure to move beyond traditional "women's work." The workforce also will be aging. Over 75 percent of the workforce in the year 2000 is already working today.

At the same time, the workplace is expected to change significantly. From 5 to 15 million manufacturing jobs will be restructured, and an equal number of service jobs will become obsolete. While it is expected that new jobs will replace those that are lost, the disruptions from these changes will be great and the need for training and retraining will be more significant than ever.

While these major changes are occurring, the federal government will be seeking to reduce overall spending. Of necessity, other sectors of society – particularly state government and the business community – will need to assume greater responsibility for developing and conducting education and training programs.

### IMPLICATIONS AND CHALLENGE

Our ability to improve education, training and retraining will affect all segments of the workforce and all sectors of the economy. No sector can afford a growing underclass that cannot get or keep jobs, nor can the nation afford to suffer losses in productivity and world competitiveness because workers are unprepared for the changes in the workplace. Thus, while government at all levels has a significant role to play, government must be joined by the business community to address these problems.

Business, public training institutions, the schools, private training institutions, and labor – all must work in partnership to ensure that the necessary education and training are provided with a minimum of duplication. The public at large must see education, training and retraining as a lifelong process,vital to their working lives.

Business and government together must also look beyond education and training programs. The most rapidly growing, yet most vulnerable, of the nation's labor pool is concentrated where schools are inferior, work experience opportunities are poorest, and available full-time jobs are declining. Although business will need these workers, they will not be prepared to work and will too often find jobs inaccessible to

public transportation. Many potential workers will turn to welfare; some will turn to crime. These individuals will be a drain on society and will be lost as consumers of business' products and services. Public/private partnerships are needed to create jobs in these distressed areas, to provide labor market information, and to develop better transportation systems to existing jobs.

To address these issues, a new employment policy is needed that encompasses traditional public training programs as well as our public education systems, training provided by both the private sector and labor, economic development programs, the labor exchange (employment service) system and income maintenance systems,including unemployment insurance and welfare.

New forms of governance should be considered. Stronger public/private institutions at all levels – state, local, and federal --should be strengthened to address these labor market problems. Local private industry councils (PICs) and state coordinating councils under the Job Training Partnership Act (JTPA) can serve as the foundation for many of these public/private efforts. Regardless of the specific vehicle, business will have to assume greater responsibility in training the workforce. Employers will need to be more involved in the development of community and state strategies, and they must help improve their state and local education systems and training institutions. In addition, employers have the responsibility for assuring that their own employees are trained and retrained to meet the needs of the changing workplace.

States should assume the primary responsibility for addressing the needs of their citizens for job training, education, economic development, welfare and job placement. At the same time, local governments should have the flexibility to identify priorities and design and operate programs that meet their particular needs. The federal role should be reserved for articulating national policies on employment and for facilitating activities at the state and local levels to carry out these policies. Federal funds should supplement state and local resources to meet special needs. To some extent, these shifts in governance have already begun to occur.

A new employment policy will need to reexamine existing programs, activities, and systems to determine if they should be reordered, revised, eliminated or replaced by new initiatives. Ultimately, a comprehensive strategy will be needed to build on the relative strengths of those sectors of our economy best able to carry out the various activities.

Whatever the eventual definition of the roles and responsibilities of government, business, labor and community organizations, it is important that the nation start now to address its employment needs in light of changes we can anticipate in the closing years of this century. As we look to the year 2000, it is in our national interest that we move forward together, committed to making the best use of limited resources.

# Employment Policies: Looking to the Year 2000

## INTRODUCTION

Employment is the backbone of a healthy society. People without productive work are a drain on the economy and a threat to the social fabric. Thus it is critical to the success of our nation to develop a workforce that meets the requirements of the labor market.

Major changes are anticipated in the workplace between now and the year 2000. Economists differ over whether the impact of these changes will be any more substantial than those we experienced in the past when our society moved from a primarily agrarian society to a heavily industrialized one. All, however, expect significant changes to occur – brought on by new technology, international competition, changes in consumer tastes, and demographic shifts. Moreover, past economic changes often led to societal unrest since little effort was made to anticipate, and address, the disruptions they left in their wake. This lesson is indisputably applicable to today's circumstances.
Many economists, among them Pat Choate of TRW, expect our economy and society to undergo an "economic and political shock." If steps are not taken now to address these changes, they envisage the labor market functioning with increasing inefficiency, leading to mismatches between workplace needs and workforce capabilities, the growth of an underclass of long-term unemployed, and losses in productivity and world competitiveness.

This paper summarizes the key demographic and economic factors between now and the year 2000 and identifies their impact. The paper then identifies the kinds of adjustments that will minimize serious economic and social disruptions and losses in productivity. The paper makes clear that the next 10-15 years are a time for action by all sectors of the country if we are to mitigate the serious challenges that face us as a nation.

## Part 1:

## The Demographic and Economic Setting

Both the workforce and workplace will be undergoing vast changes between now and the end of the century.

### Workforce Projections

**The number of youth entering the workforce will decrease** as the number of minorities as a percentage of the youth workforce increases.

- The number of 16-24 year old labor force participants will decline between now and 1995. While there will be some increase around thge turn of the century as the children of "baby boomers" mature, this is expected to slacken a few years later.

- From 1982 to 1995, the black labor force will grow at almost twice the white rate.

**The number of high school dropouts will increase,** rising above the one million children who now drop out of school each year.

- One of every four ninth graders will not graduate from high school. For minorities and the poor, the rates are higher.

- The drive for renewed excellence in public education is expected to increase the number of dropouts if special attention is not paid to this group.

**Youth unemployment is expected to increase,** even though the absolute numbers of young people are on the decline. This is largely attributed to continued ineffective vocational counseling and job placement and lack of basic literacy skills of youth, particularly minorities.

- Black male teenagers with work experience are expected to continue to decline in number. From the mid sixties to the mid seventies, black male teenagers with work experience dropped from 67 to 47 percent, while the white rates remained the same. Longitudinal research shows that joblessness during youth has a long-term harmful effect on success in the labor market.

**Today 23 million adults are considered functionally illiterate, and these numbers are expected to worsen** due to an increase of minority youth, who historically have had greater functional illiteracy rates. Among 17 year olds, 40 percent cannot draw inferences from written materials and 66 percent cannot solve math problems with several steps.

**Teenage pregnancy will become more common than ever.** Nearly half of all black females are pregnant by age 20. White teen pregnancy rates are also soaring. Half of these teen age mothers will never complete high school.

**The incidence of female headed households will continue to increase,** contributing significantly to rapid increases in the population on welfare, particularly among minorities. From 1960 to 1983, the percentage of black households headed by women increased from 29 to 45 percent.

**Women will account for two-thirds of the labor force growth** during the 1980's and 1990's (see table one, page 3); this trend reflects changes that will have far-reaching societal and economic impacts:

- Rapid growth in female headed households has and will continue to contribute to increases in the numbers of women who want to work.

- Many women, employed in low wage jobs, will have limited resources for child care.

**Two working parent families will become more common,** increasing the demand for child care during working hours.

**Prime age workers (25 to 54 years of age) will account for about 75 percent of the 1995 workforce,** up from 61 percent in 1970, and 64 percent in 1982.

**TABLE 1**
**Women's Share of Labor Force**

| | Actual | | Projected‡ | |
|---|---|---|---|---|
| | 1975-1980 | 1980-1985★ | 1985-1990 | 1990-1995 |
| Labor force growth (000s) | 13,165 | 9,632 | 6,081 | 6,515 |
| Women's labor force growth (000s) | 8,012 | 5,560 | 4,460 | 4,379 |
| Women's share (%) | 60.9 | 57.7 | 73.3 | 67.2 |

‡Bureau of Labor Statistics
★June 1985

- Over 90 percent of those who will be working in 1990 and 75 percent of those who will be working in the year 2000 are already in the workforce.

**The prospects for permanent dislocation of workers are expected to increase.** An estimated 1.5 million workers are already permanently displaced, their skills obsolete due to a continuing shift from manufacturing to high technology and service industries and to international competition. These conditions will continue.

**The population 55 and over will increase**. At the same time, the current trend of early retirement is expected to continue.

**Workers with critical technical skills will be retiring at an increasingly rapid rate**. For example, the average age of the nation's 300,000 machinists is 58, yet industry is training only one-fourth of the skilled machinists needed each year.

**Illegal immigration will be an increasingly significant factor in the competition** for entry level jobs. Although it is difficult to determine the size and expected increase of the immigrant population, both legal and illegal, particularly in certain areas of the country, the immigrant share of the total U.S. population is expected to grow in the coming decade.

## The Changing Workplace

**The kinds of jobs in the workplace are changing.**

- During the late 1970's and early 1980's, 20 million new jobs were created; only 5 percent were in manufacturing while 90 percent were in the service and information industries.

- By the end of the century, an estimated 5 to 15 million manufacturing jobs will be restructured. An equal number of service jobs will probably become obsolete. While the U.S. Bureau of Labor Statistics estimates 16 million new jobs will replace lost jobs between 1984 and 1995, nine out of ten of these new jobs will be in the service sector. Figures projected for the rest of the century for the entire economy point to disruptions in the labor market many times more severe than previously.

**The nature of work will change**. It is not so much that jobs will become "high tech" but that technology will alter how they are performed:

- Changes in the nature of existing jobs or creation of new jobs will likely require higher levels of skills. Young workers, immigrants (including undocumented workers) and others seeking entry level jobs will therefore face more intense competition for fewer unskilled and semiskilled jobs.

- By 1990, an estimated three out of four jobs will require some education or technical training beyond high school. (The number of jobs requiring college degrees is not expected to change significantly.)

- Computer skills will comprise only a small part of total skill requirements, but basic academic skills, problem solving, and interpersonal skills will be increasingly important.

- More jobs will be decentralized. Computer terminals permit instant access and communication from various locations. Certain jobs will be located where labor may be cheaper, rents lower, or labor more dependable. These locations may be outside major population centers.

- There will be fewer natural career ladders. The new technology makes it increasingly feasible to separate "back office" functions (clerical, service workers) from "front office" (technical, sales, professional, management). It will thus become more difficult to work up the ranks through informal on-the-job training. More formalized training may be necessary.

- Jobs that rely on computer based information will offer greater mobility for workers across industries. Skills required to perform the jobs will be the same, while technical information will be readily accessible on the computer.

**Smaller companies are expected to contribute substantially to new job opportunities.** These smaller employers often lack the resources for formal training programs compared to larger employers. In fact, 200 to 300 large companies account for over half of all formalized private sector training.

**Low skill jobs associated with manufacturing will be moving to the suburbs**, away from their traditional location in the central cities. Given existing transportation systems, this will leave unskilled workers in the cities unable to reach these sources of employment.

**The 1990's will see an unusually large concentration of prime age workers** (25 to 44 years of age) leading to intense competition for higher level jobs and greater interest in lateral job opportunities to increase job satisfaction.

**The large numbers of prime age female workers in the workforce will require increased child care facilities,** new or more flexible benefit packages, and greater flexibility in working hours.

**While small businesses can be expected to account for the majority of new jobs, it is particularly difficult for them to be established in predominantly minority, depressed, or center city areas** because they are stymied by the unavailability of investment capital from commercial banks. Those that have the greatest difficulty obtaining capital are businesses that are new, located in depressed areas, minority and women owned, or less traditional in their organizational structure.

**Companies will find that basic skill deficiencies (reading, writing, speaking/listening, math) of employees will add to their costs** not only through greater remediation expenses but also through lower productivity, higher supervisory time and poorer product quality.

## Other Relevant Factors to Consider

### On the Negative Side

Other factors contribute negatively to our nation's ability to prepare productive workers for jobs.

**Basic public data that matches available jobs with available workers is incomplete.** Meanwhile, budget cuts for data collection programs preclude significant improvements in our collection of labor market information.

**Public sector training facilities and equipment are often obsolete and worn out,** and prospects for improvement are limited by budget cuts. Moreover, such equipment is often under utilized, used by youth during the day, for example, but not available for adult retraining at night.

**On the Positive Side**

In the face of the major challenges confronting the United States, it is also helpful to identify this country's strengths for successful response.

**Overall, the current labor force is more highly educated than ever before**. It can learn new skills quickly and is more willing than in the past to relocate for employment.

**The number of manufacturing jobs increased by almost 3 million in the last 25 years** although the percentage of jobs in manufacturing has declined and the trend is expected to continue. As a percentage of private GNP, manufacturing has declined only slightly during that time (from 26.6 percent in 1959 to 25.7 percent in 1984).

**Employers already spend an estimated $30 billion on formal job training and retraining**. One in every eight working Americans receives at least one formal training course each year.

**The American economy is expected to grow over the next 10 to 15 years.** Latest BLS figures indicate that about 16 million new jobs will be created between 1984 and 1995. During the same time, the labor force is expected to increase by about 15 million. These figures do not mean that the United States is facing either a labor surplus or a labor shortage. They mean that the workforce will not be adequately prepared to perform the newly created jobs without a more concerted effort by all elements in the public and private sectors.

## Part 2:

## Implications for Productivity

Despite the positive factors cited above, the mismatches posed by the demographic and economic setting are striking and disturbing:

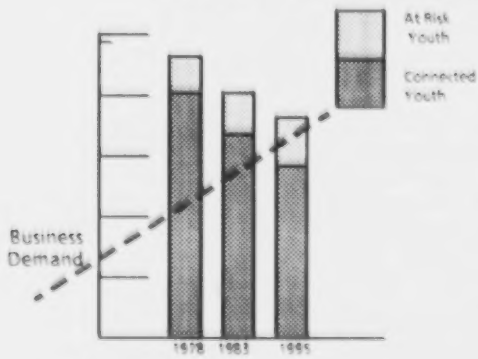
- More jobs will require not only basic skills but also problem solving, analytical and communicating skills, yet a growing percentage of the projected new labor force entrants are expected to lack these skills.
- Change will be the hallmark of the workplace, but many smaller businesses are too small to provide formal on site training, while many training facilities they might use are out of date; at the same time, most of the workforce of the late 90's and year 2000 is already working and will need retraining.
- Dislocation can be expected, several magnitudes larger than we have known in the past, but attempts to address these past dislocation problems have proved inadequate to date.
- More than ever both youth and adults will need better information on available jobs and a better understanding of their aptitudes; yet programs for labor market information, counseling and assessment have regularly been reduced over the last number of years.

If nothing is done to address these problems, serious repercussions are likely.

Employers will find it difficult to fill entry level jobs (see table 2). Finding large numbers of youth unmotivated and under educated, business might appeal for increases in immigration or out-source work to other countries. If those options are not feasible, employer costs for remedial training and hiring young people would increase substantially, reducing business' competitiveness in the world market. And where opportunities to use outside labor increase, we can expect large segments of our population to be left out, unable to obtain work. The effects to society of this growing underclass are obvious – increases in welfare, crime, and unrest.

Prime age workers will become less productive. The nature of the jobs of most current workers will change in the coming decade. If employers have not anticipated or prepared workers for these changes, job losses may occur; certainly, there will be inefficiencies in operation. Workers are also apt to be less committed to their work if they believe their employers are not systematically attending to their training and retraining needs. An increasing number of workers, who may need or want to change careers to increase job satisfaction or stability, may find that public and private institutions are unable to provide proper guidance about the

**TABLE 2**
**Declining Youth Population With an Increasing At-Risk Segment Compared to Rising Business Demand for Entry-Level Employees**




In 1978, 23 percent of the total U.S. population were between the ages of 16 and 24. By 1983 that percentage had dropped to 19 percent. Based on current birth rates, it will further decline to 16 percent by 1995. At the same time the percentage of youth at risk is growing. Assuming that the nations's economy continues to expand at a moderate pace, business will be forced to dip increasingly into the at-risk segment of the entry-level youth employment pool.

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labor market or offer appropriate training. At best this will result in losses in productivity; at worst it will lead to long-term dislocation.

Clearly a more rational and comprehensive approach for preparing Americans for the labor market is essential, and the scope of public policy on employment must be expanded to include the entire workforce. It is imperative that all players in the economy – business, a spectrum of agencies at all levels of government, training and education institutions, labor, and community agencies -- work together in partnership to meet the labor market challenges of the future.

## Specific Implications to Consider

Specifically, the demographic and economic factors anticipated in the next 10 to 15 years have the following implications:

**Private employers must see training as essential to their productivity and competitiveness. Training is a critical part of their business.**

Business already provides over $30 billion in formal training and many more billions in informal training, but education and training costs are often vulnerable to cut backs. Business must recognize that existing workers will need training and retraining to adapt quickly to new skill requirements. Training cannot be haphazard but must be well-planned with employees encouraged to see it as an important part of their working lives.

**School systems must stress basic reading, writing and arithmetic skills and the development of problem solving, communicating, and teamwork skills. Moreover, they must develop programs that encourage youth to stay in school.**

Programs to improve the effectiveness of schools cannot sacrifice or lose large segments of young people by concentrating their efforts on serving "the best and brightest" and ignoring problem students. With the total number of new entrants in the workforce declining, business will need to rely on all youth, not just certain segments of the youth population. This will be a difficult task for the schools since larger segments of the student population will come from backgrounds that have been more dropout prone.

**Business, public training institutions, school systems, private training institutions, and labor must work in partnership to ensure minimal duplication in the provision of training. Each has important roles to play.**

More formalized training will be needed to respond to rapid technological change, international competition, and job restructuring.

Business needs to provide or finance the training and retraining its employees need. Smaller businesses will often be unable to provide training, but they must be able to use other institutions in the community to meet their needs, and these agencies must be flexible enough to respond.

In addition, public agencies, including the schools, will need to play a major role in providing the training necessary for new labor force entrants and the unemployed, segments of the population that business cannot be expected to serve.

**The public must be made aware that education, training and retraining are a vital part of working life. Training must be viewed as a life-long process.**

With so many present workers expected to remain in the workforce through the 1990's, a time of rapid change, continuing education and training must be viewed as an essential lifelong process. Workers need to recognize that relocation to occupations and areas with expanding job opportunities will be likely during their working lives.

**The workforce will require better labor market information and improved counseling, testing, and assessment services.**

These activities will take on increasing importance for both youth and adults. Youth must be provided information on job opportunities as early as junior high so they

can begin to explore occupations. Equally as important, they need sound advice based on aptitude tests and other assessment tools concerning those job areas for which they may be best suited. Lack of career knowledge among youth, particularly disadvantaged youth, contributes to poor work attitudes and job hopping and affects long-term earnings.

Many more adult workers than ever before will find themselves in obsolete jobs and must be channeled effectively to new careers. Since "baby boomers" will have flooded the mid level jobs and most will not be able to move to higher levels, they will seek to move laterally and learn new tasks. This will place greater demands on training, testing, counseling and labor market information.

**Special efforts will be needed to assist long-term displaced workers.**

Even with increased retraining opportunities, there will continue to be large numbers of workers who will have particular problems reentering the workforce. It is critical that their displacement not be permanent.

Dislocated workers will need income maintenance while they reorder their lives but there should be incentives to encourage them to move quickly to make adjustments.

**Workers, 55 and over, will be critical in certain occupational areas and should be encouraged to remain employed.**

In some occupations, older workers will be essential to meet critical labor shortages. In other cases, they can be ideal as teachers to new workers. To accommodate older workers, business will also need to consider adjustments in such areas as working hours, pensions and other benefits.

**Welfare recipients should be encouraged to enter the labor market. Programs designed to provide them education, training, and social services are essential.**

Many welfare recipients are willing to work but lack the requisite job seeking skills and basic and technical skills necessary to obtain employment. Welfare recipients represent an important source of labor and their employment is essential in breaking the "welfare cycle" for succeeding generations, a factor that becomes more serious with the increase of young, unwed mothers.

**The increased participation of women in the labor force will require improvements in the provision and level of child care.**

With women accounting for two-thirds of the expected labor force growth, a more concerted effort by industry and the public sector is needed to assure quality child care. Child care is important for workers' morale and productivity. It is also essential for the employment of welfare recipients.

Child care facilities can provide a stimulating environment for young children. This can be particularly beneficial for children from more disadvantaged surroundings.

**An influx of undocumented workers will reduce the number of jobs available for American citizens and legal immigrants.**

Most illegal immigrants take jobs in entry level positions requiring limited basic education and skills – jobs that form the basis of part time work experiences for youth and initial full time work for youth and adults with limited skills. With the number of these jobs declining, not only will it be increasingly difficult for the nation's citizens and legal immigrants to enter the labor market but also the workplace will be less able to absorb the new illegal workers.

**Public transportation patterns from the cities to surrounding suburbs should be improved.**

Low skill level jobs have increasingly shifted from the cities to the suburbs. Manufacturing plants have left the cities for outlying areas, while large numbers of potential workers remain within the cities.

Public transportation systems are geared largely to meeting the needs of suburbanites working in the cities, thus leaving lower skilled workers unable to commute to jobs in the suburbs.

**Public/private partnerships will be needed to create jobs in communities where business would not normally locate and where there is high unemployment.**

Certain communities are not attractive locations for business; yet without business in these areas, large numbers of individuals will remain unemployed.

No one agency, firm, or sector in a community has all the resources to create jobs in distressed areas, so all must work together. The business community can identify training needs and contribute resources; education and training institutions can provide suitable training; community and economic development agencies can offer incentives and special investment opportunities; and community organizations can enlist volunteers and assist in economic development efforts.

## Part 3:

## The Future Challenge in Labor Market Policy: Guidance For Action

In order to meet the challenges of the next 15 years, our nation's employment policy must be directed to the entire workforce and involve all sectors – business; federal, state and local governments; training and education institutions; labor; and community organizations.

Employment policy must encompass not only the traditional public training programs but also our public education systems, training provided by business, training sponsored by labor, economic development programs, labor market information systems, counseling, testing and assessment programs, the labor exchange system and income maintenance systems.

To prepare for the realities of the year 2000, a new employment policy must reexamine how programs, activities, or systems are currently defined and determine how they should be reordered, revised, or eliminated. It should further identify what additional initiatives are needed. In the end, these programs, activities or systems should form a comprehensive strategy that takes advantage of the relative strengths of each sector and avoids overlap.

In a quick effort to identify current federal programs that should be assessed in setting national policies, over 18 separate pieces of legislation can be identified (see appendix). Many of these include more than one discrete program, some of which operate on separate tracks, at times seemingly at cross purposes. Some of the state job training coordinating councils under JTPA have found 40 to 60 distinct training programs in their states. Current training and education programs are disjointed, often overlapping and duplicating each other.

The specific programs and systems that should be provided by the federal, state and local levels of government and the roles and responsibilities of the private sector and others will need to be debated and discussed carefully. But, it is important to begin now so that action can be taken as soon as possible.

Several themes are important to these discussions and have been divided into: 1) governance and 2) operations.

The issues related to governance reflect the importance of public/private responsibility and cooperation. They also encompass the need to clarify and redefine the roles of the various levels of government. To some extent, both of these responses have already begun to evolve. JTPA has placed increased emphasis on the importance of the business role, while the shift from federal to state and local initiatives in other areas, such as welfare reform and enterprise zones, is well underway.

The remaining themes, related to operations, set the framework for approaches that should be considered in carrying out an effective employment policy. Paramount among these themes is the responsibility business has for the training and retraining of its employees.

### Themes Concerning Governance

**The public and private sectors must work together in partnership at all levels.**

***State.*** There should be a board or council at the state level, similar to the state council under JTPA but with more authority, that would be responsible for coordinating all training, education, economic development and placement activities in the state. State funds are likely to be the predominant source of funding for all of these programs, and these councils should set goals and establish criteria for how the state and federal programs should be interrelated, assure these criteria are met through the plan review process, and monitor operations. In addition, state boards should evaluate programs to determine whether the needs of the population are being met.

***Local.*** A board or council at the local level, like the private industry councils under JTPA, should be considered to oversee all training, education, economic development and placement activities at the local level,

regardless of funding sources. Within the parameters set forth by the state, these boards would coordinate planning for human resource programs, set local standards and oversee the programs to assure that they are functioning as planned. Membership would be cross cutting, including business people; government elected officials and representatives of training, education, economic development, welfare and labor exchange agencies; labor; and community groups.

To the extent possible, boards should cover entire labor market areas. Where this is not possible, local boards in a labor market area should cooperate so that planning is consistent and services are coordinated.

***Federal***. Nationally there should also be a federal board or council composed of representatives from both the public and private sectors. It should assure that federal human resource programs are coordinated and consistent in implementation. The federal board should determine that federal dollars are being targeted where the need is greatest and having the intended impact. The board should conduct research to identify both long and short term policy needs and recommend appropriate federal legislation. Ideally it should guide all pertinent cabinet officers rather than a single department.

**States should have the primary responsibility for addressing the needs of their citizens for job training, education, economic development, welfare and job placement.**

States should provide the financing for programs to meet the needs of their citizens except in those instances in which the needs are severe and require resources in excess of those that can be reasonably expected at the state level. States should set goals and coordinating criteria for their own programs and should have the flexibility, within broad parameters, to do so for federal programs. States should set performance standards and hold local programs accountable for use of funds. They should also evaluate programs to assure effective coordination and to determine areas of need.

**The local level should have maximum flexibility in designing and operating programs. The local level should identify priorities and design programs accordingly.**

The local level should be the focus for change and reform based on local conditions. There should be maximum flexibility to meet local needs. While states should have the primary burden for financing programs, local governments should also have the authority to raise funds and make funding decisions.

**The federal government should articulate national employment policies and facilitate state and local activities to carry out these policies. Federal funds should supplement state and local resources to meet special needs.**

A skilled labor force is a basic requirement for economic growth and productivity. The federal government must engage in the research and analysis to identify trends and needs and to educate all sectors – state and local government, educators, business, labor and the general public – about labor market issues. The federal government should provide a standardized approach in the development of labor market information and make information available to states on issues having national impact, such as information on skill shortages.

While the design of specific approaches should occur at the local level to meet local conditions, the federal government should provide technical assistance and should actively disseminate information among the state and local levels to assure the cross-fertilization of ideas.

The federal government should also provide resources targeted to poorer states and local areas where needs are greatest. Some localities, for example, have disproportionate shares of unemployment. Similarly, the problem of illiteracy is often concentrated in certain areas, and the economic drain that this poses requires special funding support from the federal level.

The federal government can also play an important role in encouraging business action and support. It should do this not only by persuasion but by providing specific tax incentives.

## Themes Concerning Operations

**Business must plan strategically and assume major responsibility for the training and retraining of its own workers at all levels – from entry to management – and must develop new approaches to maintain the productivity and commitment of its workforce.**

While business already spends about $30 billion per year on training, several forces contribute to the need for business to place even greater emphasis on the development of its human resources. The number of new entrants to the workforce will have declined significantly by the year 2000, and business firms will have to hire applicants whom they would have previously passed over; these hires will need more training.

For those already employed, new technologies will require rapid changes in how they perform their work, thus necessitating retraining.

Because the "baby boomers" will cause a mismatch between the large supply of mid career workers and a limited number of advancement opportunities, business will need to look to new approaches for rewards, reporting structures and job structures.

To avoid stagnation and increase job satisfaction, some mid career employees may seek lateral moves to new tasks or occupations – and to new firms. They also will require additional training opportunities. If firms wish to retain committed employees, they will need to provide or help to provide training, including time off for employees seeking additional training.

**Business has an important role to play beyond its in-house training responsibilities to assure the quality of publicly funded education and training institutions.**

Schools produce the labor force of business. Public schools must be improved so that growing numbers of students graduate with credentials that are reliable. Business has important responsibilities in three significant areas. It can help upgrade the facilities of the schools, assure that skill training programs meet business needs, and relate the basic academic school curriculum to the world of work. These efforts will contribute to motivating youth in their school work and to assuring them of a job after graduation.

Business should serve on local school boards; donate equipment; lend staff to help design curriculum, teach, and assist in school management where needed; provide speakers; participate in teacher and counselor improvement programs, including exposure to the business world; and provide work experience sites.

Some students, despite the best efforts of the schools and business community, will fail. Public training programs and other community programs should then fill the breach. Business should assume the same responsibilities described above to assure the quality and relevancy of training.

By participating on local private industry councils or similar boards, business can serve as a catalyst to bring agencies together and assure education and training efforts are coordinated and complement one another.

**The education system has responsibility not only for developing basic skills but also for providing greater student awareness of the workplace and career choices.**

Efforts to improve the quality of academic education in the schools is essential and must be continued, but care should also be taken not to ignore the importance of building greater student understanding of the workplace. School curricula should begin in elementary school to relate basic

academic knowledge to the working world. Beginning at the junior high and middle level schools, much greater emphasis on information about work is needed. It is an ideal time to provide counseling and special courses that can relate a student's interests, aptitudes and skills to the labor market.

By high school, students should also have the opportunity to gain actual work experience through cooperative education or other work study programs. For those students who will be entering the job market immediately after high school, schools should arrange for students to receive accurate and complete labor market information. Public employment services should work actively with the schools to make this information available.

**Government should offer incentives to business to devote greater resources to the education, training and retraining of its workers.**

Both business and society benefit from a well trained workforce that operates at high efficiency. While the primary responsibility for educating, training and retraining its workforce should rest with business, government should encourage efforts by offering incentives to make these activities more financially attractive to business.

A variety of incentives have been suggested. These include tax credits, the establishment of a block investment credit for training expenses and the application of incentives similar to those offered to business for payment of health premiums.

All suggestions should be reviewed to assess costs with respect to anticipated benefits. Once enacted, the federal government (or state government for state incentives) should carefully evaluate the effects of incentives to determine whether the intended benefits are occurring.

**The public and private sectors at the state level are primarily responsible for economic development. Federal funds should be concentrated in areas of high unemployment and linked to job training efforts for the structurally unemployed.**

Economic development is primarily a state responsibility. Federal programs can, however, be important in providing leverage or extra incentives in areas faced with severe unemployment problems. Federal funds should only be applied as an adjunct to state government efforts that have mobilized business, local government, and community resources, and are linked to training programs for the disadvantaged or long-term unemployed.

**Business and government should assist workers in securing child care and in providing working conditions sensitive to the needs of working parents. A national policy on child care is needed to identify the most appropriate responsibilities for the different levels of government.**

With increases in single heads of households and two wage earner families, care of children during work hours has become a national issue, important to both men and women workers.

No one sector can assume full responsibility and costs. Because many businesses already realize that worker attendance and productivity can be affected, they are providing information on available child care or assisting in expenses through benefit packages. Some businesses are providing facilities. Businesses also need increasingly to consider flexible work schedules or greater part-time opportunities to meet the needs of parents.

Since many needing child care, such as single heads of families, have lower incomes, governments must also respond. Options include tax incentives for business investment and income based voucher programs for parents.

Because business, government at all levels, community organizations, and parents have roles to play, there should be a national policy that identifies their responsibilities and enunciates federal actions.

**Public service employment should be limited to situations in which (1) other efforts to secure an unsubsidized job for the individual have failed and (2) the subsidized job will be provided for a limited time only, after which additional job search and training assistance will be provided to the individual.**

States should be the primary source for public service employment programs so they can be linked closely to other state programs. For example, public employment can be an important tool in welfare reduction programs, such as the newly enacted GAIN program in California, in which recipients are first exposed to job search and then provided training. If the recipient remains unemployed, public employment is provided for a limited time before additional training is offered. Public service employment can thus provide the welfare recipient with gainful employment but with an opportunity for continued preparation in the competitive job market.

States can also profit from public service employment that is used to improve deteriorating public facilities or recreational areas (several states have initiated successful youth conservation corps).

**Welfare programs should include components designed to move the able-bodied into work. Incentives, rather than disincentives, to work for those on welfare should be implemented.**

While training and employment programs for welfare recipients will require additional funds, states and cities that have implemented these programs have begun to find that the investment pays off. In New York City, where welfare recipients received training under JTPA, one-third of the recipients left welfare and another one-third had some reduction in the level of their benefits. The State of Massachusetts has had outstanding success in employing welfare recipients and reducing welfare costs. There will always be individuals who require welfare assistance due to such factors as age or health. Otherwise, those of working age should be provided the training and support services to secure jobs and should be expected to participate in programs designed for these purposes. Disincentives for working should be analyzed and reduced or eliminated wherever possible.

**The government should take much stronger and more effective actions to control the entry of undocumented workers, and employers should assist in this control effort by helping to ensure that jobs are filled by American citizens and others who are legally entitled to work.**

The federal government has the basic responsibility for controlling entry into the country. The presence of millions of undocumented workers is evidence of the failure of the government to effectively carry out this responsibility. Greatly expanding population pressures and uncertain economic conditions in Central and South America are expected to continue to affect the very high levels of illegal immigration. The effects on the labor market of an even larger flow of undocumented workers must be avoided.

The responsibility of employers to hire only those who are legally entitled to work is a highly sensitive and complex issue, but it must be recognized that the primary incentive for illegal immigration is U.S. employment. While this nation has to date been able to absorb increasing numbers of illegal immigrants, their expected large growth combined with declining numbers of low skilled jobs will upset the current equilibrium and will block entry into the workforce by many of our nation's youth and adult workers.

The incentive for employment of undocumented workers must stop. As a part of an overall effort to stem the flow of undocumented workers, it should be unlawful for employers to knowingly employ or recruit illegal aliens, and there should be penalties against employers for violating these laws.

**Efforts to provide resources outside the normal annual appropriations process should be examined as possible means for supporting job training and other employment related programs.**

There have been a number of suggestions for financing training and economic development programs with funds not subject to the regular appropriations process. These include: tax incentives for training employees, employer/employee contributions to training trust funds, revolving loan funds for individuals interested in training, and redirection of public pension funds for economic development investments. The merits of each recommendation need to be carefully explored, but the intent to identify new means for the stable funding of these efforts is a good one and should be pursued further.

**Individuals should have flexibility to choose services and training that reflect occupational interests.**

While the opportunity for individuals to choose training according to their interests is important, worker choice requires guidance and the provision of timely labor market information. While programs should be "provider neutral," there must be quality control to assure that programs provide skills that are needed in the labor market and meet standards of performance.

## CONCLUSION

As we look to the year 2000, the unfolding demographic and economic scenarios cry out for action. It is a call that requires a partnership between business, a variety of government institutions, labor and community organizations. To date these institutions have often operated independently and even at cross purposes. At the very least, their efforts have been characterized by overlap and duplication.

Any response to the call for action for the remainder of this century should avoid this fragmentation. While it is difficult for institutions to transcend their narrower and more familiar concerns, the roles and responsibilities among the various levels of government, among the agencies within each level of government and between government and business must be more carefully thought out, building on the strengths of each. It will not be easy, political realities will intervene, but the effort must occur.

It is clear that business must assume a greater responsibility in training the workforce. Employers must be more involved in our education system and training institutions and in the development of community and state strategies, and they must assume responsibility for assuring their own employees are trained and retrained to meet the needs of the changing workplace. These actions are economic imperatives as well as societal ones. The competitiveness of American business in the world marketplace is at stake.

In many respects, it appears that a new governance structure, that of public/private partnerships, is required. To a certain extent, with the passage of JTPA and with selected other state and local efforts, this new governance structure may be evolving. Also, the movement of authority and responsibility from the federal to the state level is underway in such areas as welfare reform and enterprise zones. These efforts should be nurtured and evaluated.

Regardless of the final approaches selected to address our employment needs, it is critical that all segments of the society move forward together, committed to making the best use of limited resources through collaboration and coordination.

## Appendix
## Current Federal Programs Related To Labor Market Policies

| | 1985 FUNDING LEVELS (in millions of dollars) |
|---|---|
| Job Training Partnership Act of 1982 | $3,680 |
| -Grants to states and local areas | |
| -Summer youth employment | |
| -Dislocated worker training | |
| -Indian and migrant worker training | |
| -Job Corps | |
| -Veterans' training | |
| -National Commission for Employment Policy | |
| Wagner-Peyser Act of 1933 | |
| -Federal/state employment service system | $777 |
| Carl D. Perkins Vocational Education Act of 1984 | $831 |
| Revenue Act of 1978 | |
| -Targeted Jobs Tax Credit program | $300 |
| -Employee Education Assistance program | n/a |
| Social Security Act Amendments | |
| -Work Incentive (WIN) Program (AFDC recipients) | $256 |
| -Social Services Block Grants | $2,700 |
| Trade Act of 1974 | |
| -Trade adjustment assistance program | $75 |
| Emergency Veterans' Job Training Act of 1983 | $76 |
| Older Americans Act | |
| -Senior Community Service Employment Program | $326 |
| Federal Unemployment Tax Act/Social Security Act | |
| -Unemployment insurance | $16,600 |
| National Apprenticeship Act of 1937 | $12 |
| Adult Education Act of 1969 | $101 |
| Rehabilitation Act of 1973 | |
| -Vocational rehabilitation services and projects | $1133 |
| Education for Economic Security Act of 1984 | |
| -Emergency math and science education improvement | $100 |
| Education Consolidation and Improvement Act of 1981 | |
| -Compensatory education for the disadvantaged | $3,600 |
| Public Works and Economic Development Act of 1965 | |
| -Grants for public works projects in poor areas | $149 |
| -Business development assistance | $150 |
| -Grants for sudden and severe economic dislocation and long term economic deterioration | $33 |
| Housing and Community Development Act of 1974 | |
| -Community Development Block Grants | $3,950 |
| -Urban Development Action grants | $656 |
| Food Stamp Act of 1977 | $11,600 |
| Department of Defense Authorization Act Amendments | n/a |
| -Community Economic Adjustment Assistance program (related to base closings, contract cancellations, and personnel reductions), Office of Economic Adjustment* | |
| *Executive Order No. 12049, March 27, 1978 | |

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